



Topic: Industry-specific FAO and Deep Dive into the U.S. Healthcare Providers

Finance & Accounting Outsourcing (FAO)
Report: March 2012 – Preview Deck

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Background and sources of information

Background of the research

FAO is largely considered a horizontal BPO offering. However, in recent years, there is a movement towards industry-specific FAO solutions with increasing buyer sophistication and intensifying competitive dynamics in the FAO industry. FAO service providers are increasingly focusing on specific industries, both in terms of service offerings as well as sales strategy, to drive greater penetration.

For example, industry-specificity around FAO solutions is high for healthcare providers. Revenue Cycle Management (RCM) for healthcare providers is essentially an industry-specific version of a more generic Order-to-Cash (O2C) process. However, the market dynamics for outsourcing RCM are very different compared to the horizontal FAO market across value proposition, solution characteristics, and service provider landscape.

In this study, we investigate the rising industry-specificity in the FAO market. We focus on:

- Understanding the need for industry-specific FAO
- Service provider investment themes
- Industry-specific FAO in the U.S. healthcare provider space

Sources of information

- Proprietary Everest Group database of ~580 multi-process FAO contracts signed till the end of 2010 with a minimum of two F&A processes, over US\$1 million in ACV, and a minimum contract term of three years
- Proprietary Everest Group database of operational capability of 25+ FAO service providers and healthcare-specific BPO service providers
- BPO Buyer survey conducted in Q3 2011. The survey included participation from 100+ FAO buyers across the globe

Overview and abbreviated summary of key messages

(page 1 of 2)

This report will assist key stakeholders (buyers, service providers, industry enablers) understand trends in industry-specific in the FAO market. Industry expertise is emerging as an important source of value from service providers for FAO buyers. Consequently, service providers are making continuous investments in industry-specific FAO solution to meet buyer demands and create a differentiated offering. In this backdrop, this report provides an understanding of the need for industry-specific FAO, service provider investment themes in industry-specific FAO, and a deep dive into the U.S. healthcare providers market

Some of the findings in this report, among others, are:

Understanding the need for industry-specific FAO

- There are three forces that are together driving the interest in industry-specific FAO solutions
 - *Inherent industry-specific F&A requirements*: Beyond corporate F&A that remains largely similar across industries, there are corporate and operational industry-specific F&A requirements. Thus, industry expertise is emerging as a key requirement in FAO service provider selection
 - *Changing macro-economic conditions*: The need to address increasing cost pressures and regulatory changes are driving buyers to look for industry-specific F&A solutions
 - *Maturing FAO landscape*: Majority of the service providers are investing in industry-specific FAO offerings to create differentiation in the maturing FAO market

Service provider investment themes

- Service providers are creating niche and a differentiated offering by focusing on specific industries. They are making investments across three levels:
 - *Level 1: Industry relevant*. Building industry-oriented process definitions
 - *Level 2: Industry enabled*. Industry-oriented tools/assets through specialized investments in skills, relationships, and tools
 - *Level 3: Industry platform*. Standardized platform-based BPO offerings catering to unique industry requirements

Overview and abbreviated summary of key messages

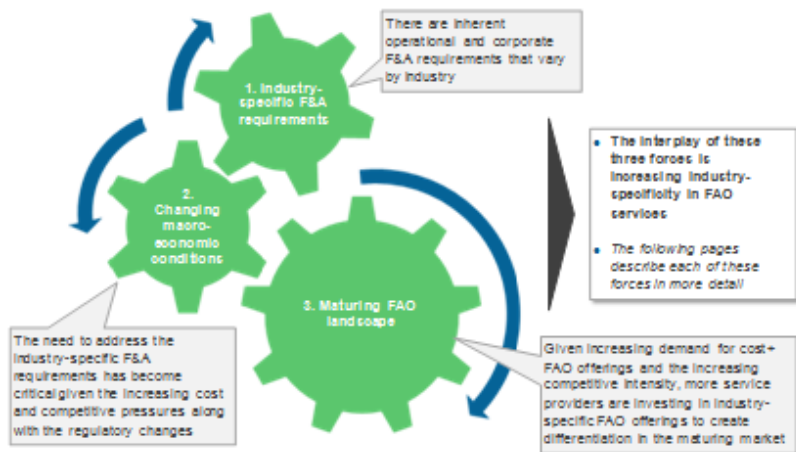
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Industry-specific FAO in the U.S. healthcare provider space

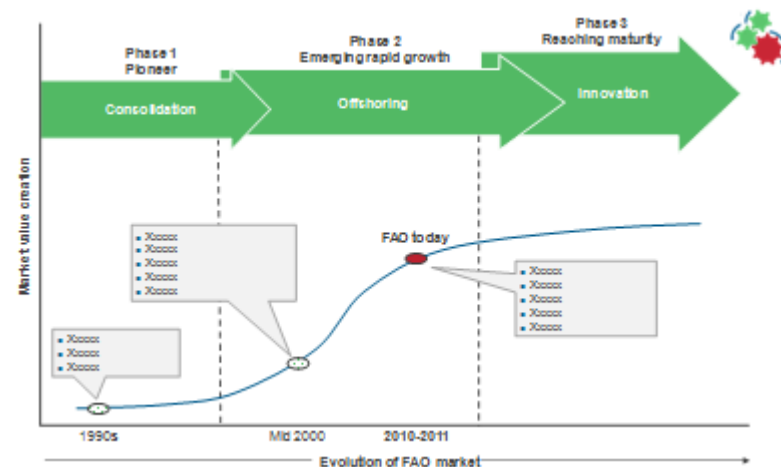
- The U.S. healthcare industry is undergoing rapid transformation (regulations, reforms, and economic cost pressures)
- As a result, buyers are increasingly looking to adopt business process outsourcing (BPO) in order to reduce cost, administrative burden, and time to comply with regulations/reforms
- Integrated Revenue Cycle Management (I-RCM) is an industry-specific version of the Order-to-Cash (O2C) process and continues to be a key pain point for healthcare providers
- I-RCM is the largest BPO segment in the U.S. healthcare BPO market accounting for 65-70% of the overall healthcare provider BPO market
- The service provider landscape for I-RCM outsourcing also includes several specialist providers focusing on the healthcare industry beyond the horizontal FAO service providers

This study offers three distinct chapters providing a deep dive into industry-specific FAO; below are four charts to illustrate depth of the report

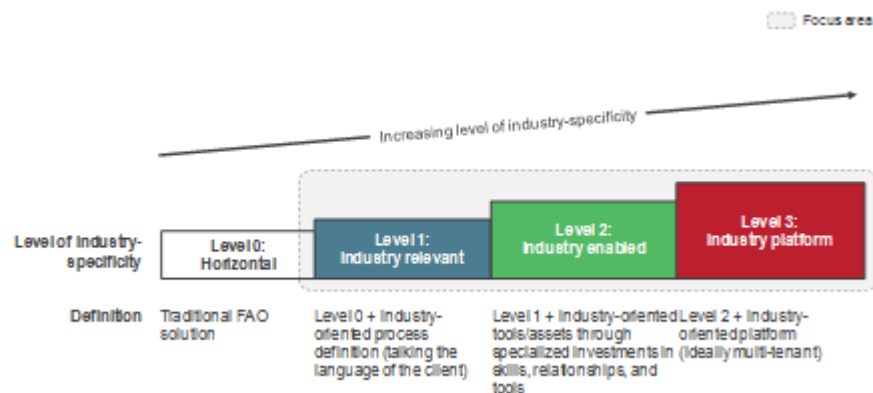
Forces driving industry-specificity in FAO services



Maturing FAO landscape

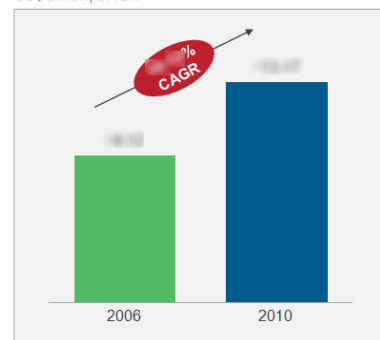


Areas of investments in industry-specific FAO solutions

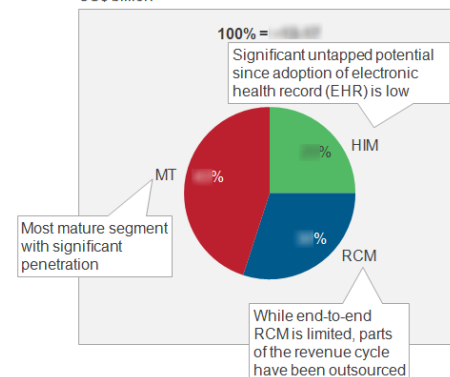


I-RCM market size and growth

U.S. healthcare provider I-RCM market size and growth¹
US\$ billion, CAGR



Adoption trends by segments of I-RCM
US\$ billion



FAO research agenda (page 1 of 4)

 Published  Current  Upcoming

Topic	Goals of the research	Release date
The New Frontiers: Emerging Locations in the FAO Landscape	Beyond the established locations that feature in most leading FAO service providers' global delivery network, newer locations are making their presence felt on the FAO delivery map. This study evaluates top five from such locations and highlights the market state therein	September-2011
Webinar Deck: Emerging Locations in the FAO Delivery Landscape – The New Frontiers	Everest Group hosted a webinar, Emerging Locations in the FAO Delivery Landscape – The New Frontiers. This report is the deck used during the webinar and discusses key findings from Everest Group's latest study around emerging locations in the FAO delivery location landscape	September-2011
2012 Market Predictions	Everest Group's analysts have released their complimentary 2102 predictions for key outsourcing and offshoring markets	December-2011
Process Innovation in FAO – Emergence of "World-Class Lift-Shift-and-Fix" Offerings	The increasing maturity of the global FAO market is driving innovation across multiple dimensions. These dimensions include changing value-lever mix, creating differentiated service offerings, targeting new market segments, and evolving contractual design. Developing process innovation models and frameworks to drive best-in-class performance emerged as one of the key focus areas for most service providers in recent years. In this research study, we analyze process innovation models and frameworks	January-2012

FAO research agenda (page 2 of 4)



Published



Current



Upcoming

Topic	Goals of the research	Release date
Industry-specific FAO and Deep Dive into the U.S. Healthcare Providers	While FAO is largely considered a horizontal BPO offering, in recent years, service providers have increasingly shifted their focus on specific industries, both in terms of service offerings and sales strategy, to drive greater penetration. This report investigates some such instances visible in the FAO market and takes an in-depth look at one of the key industry segments- healthcare providers	Q1-2012
Making the Right Choice – How to Evaluate BPaaS Solutions?	This research aims to compare Total Cost of Ownership (TCO) of Business Process as a Service (BPaaS) solutions with traditional BPO using a comprehensive financial model and create a comprehensive framework to evaluate BPaaS sourcing	Q1-2012
Leveraging BPO to Drive Success in Utilities and Retail Energy Providers	Utilities and retail energy providers are facing myriad and rapidly evolving challenges in the marketplace, such as increasing competition, disruptive technologies, regulatory pressure, rising consumer demands, and global economic volatility. One of the business areas impacted by these market forces is Meter-to-cash (M2C). This report examines the benefits of outsourcing M2C, and the considerations necessary to develop a long-term and constructive client-service provider partnership	Q1-2012
FAO Annual Report	Overview of the overall FAO market in 2011 with size & growth of market, contract characteristics, value proposition, service provider rating and market outlook for 2012	Q1-2012

FAO research agenda (page 3 of 4)



Published



Current



Upcoming

Topic	Goals of the research	Release date
Achieving Best-in-Class BPO – Secrets Unveiled	As Business Process Outsourcing (BPO) matures, companies and service providers must look for the next source of value – labor arbitrage is important, but not sufficient. In particular, the industry is seeking to create value propositions that achieve cost savings while also delivering other sources of value. The results show a vivid difference in the approach and mindset of best-in-class	Q1-2012
FAO Service Provider Landscape	In this research study, we analyze the fast-changing global FAO service provider landscape and its impact on the FAO market. We focus on providing a comprehensive analysis of the FAO service provider landscape along multiple dimensions and assess service providers to position them in the Everest Group PEAK matrix	Q2-2012
FAO Service Provider Compendium	Profile 20+ established FAO service providers across various dimensions including overall revenues, FTEs strength, key delivery locations, FAO service suite, market positioning, overall FAO delivery capability assessment, and Everest Research perspective on service provider	Q2-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Procure-to-Pay (P2P)	BPO market is now in a mature state with a well-established value proposition and demonstrated service provider capabilities. As the value proposition expands beyond cost arbitrage to improving business outcomes, buyers are considering an end-to-end approach as opposed to a functional piecemeal approach. In this study, we investigate the business value and the market state of an end-to-end Procure-to-Pay (P2P) process	Q3-2012

FAO research agenda (page 4 of 4)



Published



Current



Upcoming

Topic	Goals of the research	Release date
Unlocking Value From End-to-End Process Outsourcing: Focus on Record-to-Report (R2R)	Traditionally, the FAO value proposition has focused on providing direct-cost advantage by outsourcing transactional processes like General Accounting. However, buyers are now willing to expand the scope to include end-to-end processes like Record-to-Report (R2R) that impact metrics related to business outcomes like efficient close cycle, fixing of bad debts, and improving compliance. In this study, we investigate the business value and the market state for outsourcing R2R processes	Q3-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Order-to-Cash (O2C)	Everest Group analysis suggests that O2C is the single largest segment in the global FAO market, accounting for nearly 35% of the market size. O2C BPO services can help clients reduce revenue leakage, accelerate the cash-flow cycle and limit bad debt expense-outcomes that clients are increasingly demanding in the current economic scenario. In this study, we investigate the business value and the market state of expanding beyond Accounts Receivable to an end-to-end Order-to-Cash (O2C) process	Q4-2012
Industry-specific FAO and a Deep Dive in the Retail Industry	While FAO is largely considered a horizontal BPO offering, in recent years, service providers have increasingly shifted their focus on specific industries, both in terms of service offerings and sales strategy, to drive greater penetration. This report investigates some such instances visible in the FAO market and takes an in-depth look at one of the key industry segments – retail	Q4-2012

Additional FAO research references

The following documents are recommended for additional insight into the topic covered in this research report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Healthcare: Trends for Q4 2011** ([EGR-2012-8-R-0654](#)); 2012. Provides industry specific data, developments, and insights that enable Global Sourcing Managers to navigate through the complexity and make clear and effective decisions contextualized and suited to their specific industry. This report offers a deep-dive into transaction activity, captive developments, service provider market share, and key outsourcing transactions specific for the healthcare industry
2. **Global FAO Service Provider Landscape – Competitive Intensity Driving Innovation** ([ERI-2011-1-R-0550](#)); 2011. In this study, we analyze the global FAO service provider landscape in 2010. We focus on relative position of 20+ service providers on the Everest Group PEAK Matrix for FAO, the Star Performers of 2010, implications of increased competitive intensity and how service providers are innovating to differentiate themselves in an increasingly globalized FAO market
3. **Industry-Specific FAO – Opportunity to Optimize Revenue Cycle for Healthcare Providers** ([ERI-2009-1-W-0332](#)); 2009. This viewpoint takes an in-depth look at the healthcare provider space to understand and discuss key F&A related pressures faced by healthcare providers, requirements from a FAO solution for healthcare providers, FAO service provider landscape for healthcare providers, and implications for healthcare providers
4. **Moving Beyond the Bottom-Line: Industry-Specific FAO Solutions** ([ERI-2009-1-R-0322](#)); 2009. This study provides the reader with an in-depth and accurate overview of industry-specificity in FAO along the following dimensions: understanding industry-specificity in FAO, industry-specific FAO in the retail space, industry specific FAO in the healthcare provider space, and implications of industry-specific FAO on key stakeholders

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